



ENERGY LABORATORIES, INC. • 2393 Salt Creek Highway (82601) • P.O. Box 3258 • Casper, WY 82602
Toll Free 888.235.0515 • 307.235.0515 • Fax 307.234.1639 • casper@energylab.com • www.energylab.com

S/037/0121
cc: Wayne
Tom

0008

ANALYTICAL SUMMARY REPORT

September 15, 2009

Utah Energy Corporation
PO Box 1346
Moab, UT 84532

Workorder No.: C09081067
Project Name: Daneros Mine


Energy Laboratories, Inc. received the following 1 sample for Utah Energy Corporation on 8/28/2009 for analysis.

Sample ID	Client Sample ID	Collect Date	Receive Date	Matrix	Test
C09081067-001	Water Well 1	08/26/09 11:30	08/28/09	Aqueous	Metals by ICP/ICPMS, Total Chemical Oxygen Demand Sample Filtering Nitrogen, Ammonia pH Metals Preparation by EPA 200.2 Radium 226, Dissolved Radium 226, Total Solids, Total Suspended

As appropriate, any exceptions or problems with the analyses are noted in the Laboratory Analytical Report, the QA/QC Summary Report, or the Case Narrative.

If you have any questions regarding these tests results, please call.

Report Approved By:


Stephanie D. Waldrop
Reporting Supervisor

RECEIVED

DEC 02 2006

Div. of Oil, Gas & Mining

0008



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LABORATORY ANALYTICAL REPORT

Client: Utah Energy Corporation
Project: Daneros Mine
Lab ID: C09081067-001
Client Sample ID: Water Well 1

Report Date: 09/15/09
Collection Date: 08/26/09 11:30
Date Received: 08/28/09
Matrix: Aqueous

Analyses	Result	Units	Qualifiers	RL	MCL/ QCL	Method	Analysis Date / By
MAJOR IONS							
Nitrogen, Ammonia as N	ND	mg/L		0.05		E350.1	09/02/09 13:23 / eli-b
PHYSICAL PROPERTIES							
Oxygen Demand, Chemical (COD)	ND	mg/L		5		E410.4	09/02/09 07:15 / eli-b
pH	7.79	s.u.		0.01		A4500-H B	09/01/09 10:45 / dd
Solids, Total Suspended TSS @ 105 C	ND	mg/L		4		A2540 D	09/01/09 10:49 / dd
METALS - TOTAL							
Arsenic	ND	mg/L		0.001		E200.8	09/02/09 00:37 / ts
Uranium	0.0029	mg/L		0.0003		E200.8	09/02/09 00:37 / ts
Zinc	0.02	mg/L		0.01		E200.8	09/02/09 00:37 / ts
RADIONUCLIDES - DISSOLVED							
Radium 226	0.48	pCi/L				E903.0	09/13/09 20:07 / jah
Radium 226 precision (±)	0.20	pCi/L				E903.0	09/13/09 20:07 / jah
Radium 226 MDC	0.23	pCi/L				E903.0	09/13/09 20:07 / jah
RADIONUCLIDES - TOTAL							
Radium 226	0.41	pCi/L				E903.0	09/08/09 22:51 / jah
Radium 226 precision (±)	0.17	pCi/L				E903.0	09/08/09 22:51 / jah
Radium 226 MDC	0.20	pCi/L				E903.0	09/08/09 22:51 / jah

Report Definitions: RL - Analyte reporting limit.
QCL - Quality control limit.
MDC - Minimum detectable concentration

MCL - Maximum contaminant level.
ND - Not detected at the reporting limit.



QA/QC Summary Report

Client: Utah Energy Corporation

Project: Daneros Mine

Report Date: 09/15/09

Work Order: C09081067

Analyte	Count	Result	Units	RL	%REC	Low Limit	High Limit	RPD	RPDLimit	Qual
Method: A2540 D Batch: 090901A-SLDS-TSS-W										
Sample ID: MBLK1_090901A	Method Blank			Run: BAL-1_090901A			09/01/09 10:47			
Solids, Total Suspended TSS @ 105 C		ND	mg/L	0.7						
Sample ID: LCS1_090901A	Laboratory Control Sample			Run: BAL-1_090901A			09/01/09 10:47			
Solids, Total Suspended TSS @ 105 C		114	mg/L	4.0	57	60	110			S
Sample ID: C09081053-002BDUP	Sample Duplicate			Run: BAL-1_090901A			09/01/09 10:48			
Solids, Total Suspended TSS @ 105 C		286	mg/L	4.0				17	25	
Method: A4500-H B Analytical Run: ORION555A-2_090901A										
Sample ID: ICV1_090901_1	Initial Calibration Verification Standard						09/01/09 09:28			
pH		6.89	s.u.	0.010	100	98	102			
Method: A4500-H B Batch: 090901_1_PH-W_555A-2										
Sample ID: C09081064-008ADUP	Sample Duplicate			Run: ORION555A-2_090901A			09/01/09 10:29			
pH		7.65	s.u.	0.010				0.1	10	
Method: E350.1 Analytical Run: SUB-B135361										
Sample ID: ICV	Initial Calibration Verification Standard						09/02/09 11:16			
Nitrogen, Ammonia as N		5.53	mg/L	0.11	101	90	110			
Method: E350.1 Batch: B_R135361										
Sample ID: MBLK	Method Blank			Run: SUB-B135361			09/02/09 11:17			
Nitrogen, Ammonia as N		ND	mg/L	0.02						
Sample ID: LFB	Laboratory Fortified Blank			Run: SUB-B135361			09/02/09 11:18			
Nitrogen, Ammonia as N		1.02	mg/L	0.050	103	90	110			
Sample ID: B09090090-001EMS	Sample Matrix Spike			Run: SUB-B135361			09/02/09 13:24			
Nitrogen, Ammonia as N		0.972	mg/L	0.050	97	90	110			
Sample ID: B09090090-001EMSD	Sample Matrix Spike Duplicate			Run: SUB-B135361			09/02/09 13:25			
Nitrogen, Ammonia as N		0.970	mg/L	0.050	97	90	110	0.2	10	

Qualifiers:

RL - Analyte reporting limit.

MDC - Minimum detectable concentration

ND - Not detected at the reporting limit.

S - Spike recovery outside of advisory limits.



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QA/QC Summary Report

Client: Utah Energy Corporation

Project: Daneros Mine

Report Date: 09/10/09

Work Order: C09081067

Analyte	Count	Result	Units	RL	%REC	Low Limit	High Limit	RPD	RPDLimit	Qual
Method: E200.8										
Batch: R123196										
Sample ID: LRB	3	Method Blank				Run: ICPMS2-C_090901A			09/01/09 12:05	
Arsenic		ND	mg/L	0.0003						
Uranium		ND	mg/L	8E-06						
Zinc		0.0006	mg/L	6E-05						
Sample ID: LFB	3	Laboratory Fortified Blank				Run: ICPMS2-C_090901A			09/01/09 12:12	
Arsenic		0.0515	mg/L	0.0010	103	85	115			
Uranium		0.0516	mg/L	0.00030	103	85	115			
Zinc		0.0521	mg/L	0.0010	103	85	115			
Sample ID: C09081067-001DMS4	3	Sample Matrix Spike				Run: ICPMS2-C_090901A			09/02/09 00:43	
Arsenic		0.0520	mg/L	0.0010	104	70	130			
Uranium		0.0546	mg/L	0.00030	103	70	130			
Zinc		0.0630	mg/L	0.010	94	70	130			
Sample ID: C09081067-001DMSD	3	Sample Matrix Spike Duplicate				Run: ICPMS2-C_090901A			09/02/09 00:50	
Arsenic		0.0521	mg/L	0.0010	104	70	130	0.1	20	
Uranium		0.0556	mg/L	0.00030	105	70	130	1.7	20	
Zinc		0.0634	mg/L	0.010	95	70	130	0.6	20	

Qualifiers:

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QA/QC Summary Report

Client: Utah Energy Corporation
Project: Daneros Mine

Report Date: 09/15/09
Work Order: C09081067

Analyte	Count	Result	Units	RL	%REC	Low Limit	High Limit	RPD	RPDLimit	Qual
Method: E410.4										Batch: B_R135408
Sample ID: MB-R135408		Method Blank					Run: SUB-B135408			09/02/09 07:15
Oxygen Demand, Chemical (COD)		ND	mg/L	2						
Sample ID: LCS-R135408		Laboratory Control Sample					Run: SUB-B135408			09/02/09 07:15
Oxygen Demand, Chemical (COD)		119	mg/L	5.0	103	90	110			
Sample ID: LFB		Laboratory Fortified Blank					Run: SUB-B135408			09/02/09 07:15
Oxygen Demand, Chemical (COD)		22.5	mg/L	5.0	92	90	110			
Sample ID: B09090090-001EMS		Sample Matrix Spike					Run: SUB-B135408			09/02/09 07:15
Oxygen Demand, Chemical (COD)		26.5	mg/L	5.0	109	90	110			
Sample ID: B09090090-001EMSD		Sample Matrix Spike Duplicate					Run: SUB-B135408			09/02/09 07:15
Oxygen Demand, Chemical (COD)		26.7	mg/L	5.0	109	90	110	0.8	10	
Method: E903.0										Batch: RA226-3935
Sample ID: C09080908-001CMS		Sample Matrix Spike					Run: BERTHOLD 770-2_090831A			09/08/09 16:31
Radium 226		19	pCi/L	120		70	130			
Sample ID: C09080908-001CMSD		Sample Matrix Spike Duplicate					Run: BERTHOLD 770-2_090831A			09/08/09 16:31
Radium 226		19	pCi/L	121		70	130	0.9	23.7	
Sample ID: MB-RA226-3935	3	Method Blank					Run: BERTHOLD 770-2_090831A			09/08/09 22:51
Radium 226		0.04	pCi/L							U
Radium 226 precision (±)		0.1	pCi/L							
Radium 226 MDC		0.2	pCi/L							
Sample ID: LCS-RA226-3935		Laboratory Control Sample					Run: BERTHOLD 770-2_090831A			09/08/09 22:51
Radium 226		9.7	pCi/L	123		70	130			
Method: E903.0										Batch: RA226-3952
Sample ID: C09090004-001DMS		Sample Matrix Spike					Run: BERTHOLD 770-2_090904B			09/13/09 20:07
Radium 226		16.0	pCi/L	99		70	130			
Sample ID: C09090004-001DMSD		Sample Matrix Spike Duplicate					Run: BERTHOLD 770-2_090904B			09/13/09 20:07
Radium 226		17.9	pCi/L	111		70	130	11	24.7	
Sample ID: MB-RA226-3952	3	Method Blank					Run: BERTHOLD 770-2_090904B			09/13/09 23:13
Radium 226		-0.05	pCi/L							U
Radium 226 precision (±)		0.1	pCi/L							
Radium 226 MDC		0.2	pCi/L							
Sample ID: LCS-RA226-3952		Laboratory Control Sample					Run: BERTHOLD 770-2_090904B			09/13/09 23:13
Radium 226		7.9	pCi/L	101		70	130			

Qualifiers:

RL - Analyte reporting limit.
MDC - Minimum detectable concentration

ND - Not detected at the reporting limit.
U - Not detected at minimum detectable concentration



Chain of Custody and Analytical Request Record

Page ____ of ____

PLEASE PRINT- Provide as much information as possible.

Company Name: Utah Energy Corp.			Project Name, PWS, Permit, Etc. DANEROS MINE			Sample Origin State: UTAH		EPA/State Compliance: Yes <input type="checkbox"/> No <input type="checkbox"/>						
Report Mail Address: 1300 So. HWY 191 MOAB, UTAH 84532			Contact Name: Kelly Shumway		Phone/Fax: 435/259-2333		Email: Kelly Shumway@Frontier.net		Sampler: (Please Print) JEFF MOBENSEN					
Invoice Address: SAME			Invoice Contact & Phone: SAME			Purchase Order: Daneros WW		Quote/Bottle Order: 27042						
Special Report/Formats - ELI must be notified prior to sample submittal for the following: <input type="checkbox"/> DW <input type="checkbox"/> A2LA <input type="checkbox"/> GSA <input type="checkbox"/> EDD/EDT (Electronic Data) <input type="checkbox"/> POTW/WWTP <input type="checkbox"/> Format: _____ <input type="checkbox"/> State: _____ <input type="checkbox"/> LEVEL IV <input type="checkbox"/> Other: _____ <input type="checkbox"/> NELAC			Number of Containers Sample Type: A W S V B O Air Water Soils/Solids Vegetation Bioassay Other	ANALYSIS REQUESTED						R U S H	Contact ELI prior to RUSH sample submittal for charges and scheduling - See Instruction Page	Comments:	Shipped by: APS UPS 2DA	
				SEE ATTACHED Normal Turnaround (TAT)									Cooler ID(s): C2128	
SAMPLE IDENTIFICATION (Name, Location, Interval, etc.)			Collection Date							Collection Time	MATRIX			
1 WATER WELL #1			8/26/09	11:30 AM	W	X						On Ice: melted Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		
2												Custody Seal <input checked="" type="checkbox"/> N		
3												Bottles/ Coolers 1 <input checked="" type="checkbox"/> B <input checked="" type="checkbox"/> C		
4												Intact <input checked="" type="checkbox"/> N		
5												Signature Match <input checked="" type="checkbox"/> N		
6														
7														
8														
9														
10														
Custody Record MUST be Signed	Relinquished by (print): JEFF MOBENSEN		Date/Time: 8/26/09 11:30 AM		Signature: <i>[Signature]</i>		Received by (print):		Date/Time:		Signature:			
	Relinquished by (print):		Date/Time:		Signature:		Received by (print):		Date/Time:		Signature:			
	Sample Disposal:		Return to Client:		Lab Disposal: <input checked="" type="checkbox"/>		Received by Laboratory: Andrew		Date/Time: 8/28/09 930		Signature: <i>[Signature]</i>			

In certain circumstances, samples submitted to Energy Laboratories, Inc. may be subcontracted to other certified laboratories in order to complete the analysis requested.

This serves as notice of this possibility. All sub-contract data will be clearly noted on your analytical report.

Visit our web site at www.energylab.com for additional information, downloadable fee schedule, forms, and links.

Energy Laboratories Inc

Workorder Receipt Checklist



C09081067

Utah Energy Corporation

Login completed by: Kimberly Humiston

Date and Time Received: 8/28/2009 9:30 AM

Reviewed by:

Received by: al

Reviewed Date:

Carrier name: 2nd Day Air

Shipping container/cooler in good condition?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Not Present <input type="checkbox"/>
Custody seals intact on shipping container/cooler?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Not Present <input type="checkbox"/>
Custody seals intact on sample bottles?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Not Present <input checked="" type="checkbox"/>
Chain of custody present?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	
Chain of custody signed when relinquished and received?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	
Chain of custody agrees with sample labels?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	
Samples in proper container/bottle?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	
Sample containers intact?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	
Sufficient sample volume for indicated test?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	
All samples received within holding time?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	
Container/Temp Blank temperature:	21°C On Ice		
Water - VOA vials have zero headspace?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	No VOA vials submitted <input checked="" type="checkbox"/>
Water - pH acceptable upon receipt?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Not Applicable <input type="checkbox"/>

Contact and Corrective Action Comments:

None



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CLIENT: Utah Energy Corporation
Project: Daneros Mine
Sample Delivery Group: C09081067

Date: 15-Sep-09

CASE NARRATIVE

BRANCH LABORATORY SUBCONTRACT ANALYSIS

Tests Associated with Analyst identified as ELI-B were subcontracted to Energy Laboratories Billings Branch, EPA Number MT00005.

ORIGINAL SAMPLE SUBMITTAL(S)

All original sample submittals have been returned with the data package.

SAMPLE TEMPERATURE COMPLIANCE: 4°C (±2°C)

Temperature of samples received may not be considered properly preserved by accepted standards. Samples that are hand delivered immediately after collection shall be considered acceptable if there is evidence that the chilling process has begun.

GROSS ALPHA ANALYSIS

Method 900.0 for gross alpha and gross beta is intended as a drinking water method for low TDS waters. Data provided by this method for non potable waters should be viewed as inconsistent.

RADON IN AIR ANALYSIS

The desired exposure time is 48 hours (2 days). The time delay in returning the canister to the laboratory for processing should be as short as possible to avoid excessive decay. Maximum recommended delay between end of exposure to beginning of counting should not exceed 8 days.

SOIL/SOLID SAMPLES

All samples reported on an as received basis unless otherwise indicated.

ATRAZINE, SIMAZINE AND PCB ANALYSIS

Data for PCBs, Atrazine and Simazine are reported from EPA 525.2. PCB data reported by ELI reflects the results for seven individual Aroclors. When the results for all seven are ND (not detected), the sample meets EPA compliance criteria for PCB monitoring.

SUBCONTRACTING ANALYSIS

Subcontracting of sample analyses to an outside laboratory may be required. If so, ENERGY LABORATORIES will utilize its branch laboratories or qualified contract laboratories for this service. Any such laboratories will be indicated within the Laboratory Analytical Report.

BRANCH LABORATORY LOCATIONS

eli-b - Energy Laboratories, Inc. - Billings, MT
eli-g - Energy Laboratories, Inc. - Gillette, WY
eli-h - Energy Laboratories, Inc. - Helena, MT
eli-r - Energy Laboratories, Inc. - Rapid City, SD
eli-t - Energy Laboratories, Inc. - College Station, TX

CERTIFICATIONS:

USEPA: WY00002, Radiochemical WY00937; FL-DOH NELAC: E87641, Radiochemical E871017; California: 02118CA; Oregon: WY200001; Utah: 3072350515; Virginia: 00057; Washington: C1903

ISO 17025 DISCLAIMER:

The results of this Analytical Report relate only to the items submitted for analysis.

ENERGY LABORATORIES, INC. - CASPER, WY certifies that certain method selections contained in this report meet requirements as set forth by the above accrediting authorities. Some results requested by the client may not be covered under these certifications. All analysis data to be submitted for regulatory enforcement should be certified in the sample state of origin. Please verify ELI's certification coverage by visiting www.energylab.com

ELI appreciates the opportunity to provide you with this analytical service. For additional information and services visit our web page www.energylab.com.

THIS IS THE FINAL PAGE OF THE LABORATORY ANALYTICAL REPORT



State of Utah

Department of
Natural Resources

MICHAEL R. STYLER
Executive Director

Division of
Water Rights

KENT L. JONES
State Engineer/
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

FAX COVERSHEET

DATE: 11-25-09

TIME: _____

TO:

NAME: To Whom it May Concern

AGENCY: _____

FAX NO: 435-259-9864

FROM:

NAME: Kelly ⁸⁰¹ 538-7410

AGENCY: UTAH DIVISION OF WATER RIGHTS

FAX: (801) 538-7467

NUMBER OF PAGES, INCLUDING COVER SHEET: ~~7~~ 7

COMMENTS: Utah Energy Corp. water Application

All water right files are scanned and available for viewing on our website - for more info please visit our site at www.waterrights.utah.gov.



GARY R. HERBERT
Governor
GREG BELL
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

Division of Water Rights

MICHAEL R. STYLER
Executive Director

KENT L. JONES
State Engineer/Division Director

ORDER OF THE STATE ENGINEER

For Application to Appropriate Water Number 09-2315 (A78359)

Application to Appropriate Water Number 09-2315 (A78359), in the name of Utah Energy Corporation, was filed on January 22, 2009, to appropriate 5.73 acre-feet (af) of water from a well located South 1173 feet and East 2327 feet from the E $\frac{1}{4}$ Corner of Section 1, T37S, R15E, SLB&M (6-inch well, 1660 feet deep), and is to be re-diverted at: Mine Portal - South 1291 feet and East 2215 feet from the E $\frac{1}{4}$ Corner of Section 1, T37S, R15E, SLB&M. The water is to be used for mining purposes. The water is to be used in all or portion(s) of Section 6, T37S, R16E, SLB&M.

Notice of the application was published in The San Juan Record on February 18 and 25, 2009 and protests were received from: Uranium Watch, Southern Utah Wilderness Alliance, and Center for Water Advocacy. A hearing was held on October 1, 2009. At the hearing, additional time was requested by the protesting parties to submit written testimony in regards to this application. The record for this hearing was held open until October 15, 2009.

The applicant was represented by Kelly Shumway, Vice President of Utah Energy, John Quigley, Geologist; Mel Swanson, Mining Engineer; Mike Shumway, Chief Operations Officer; and Don Hamilton, Engineering Consultant. The protesting parties present were Uranium Watch (represented by Sarah M. Fields) and Southern Utah Wilderness Alliance (SUWA represented by their legal counsel Liz Thomas). The Center for Water Advocacy was not represented at the hearing.

At the hearing, Kelly Shumway, John Quigley and Don Hamilton, all representing Utah Energy Company (UEC), spoke in favor of the application. Ms. Shumway indicated the permit to begin mining has been issued by the Bureau of Land Management, the well has been drilled and mining operations have commenced. Mr. Quigley described the geology of the project area.

Ms. Sarah M. Fields presented the protest remarks for Uranium Watch (UW). Ms. Fields restated the protest objections detailed in Uranium Watch's written protest. The protest raised objections that the proposed use: 1) Not impair existing rights or interfere with the more beneficial use of the water; 2) Be physically and economically feasible and not for the purposes of speculation; 3) Not prove detrimental to the public welfare; and 4) Not unreasonably affect public recreation or the natural stream environment.

Ms. Liz Thomas presented the protest remarks for the Southern Utah Wilderness Alliance. Ms. Thomas reiterated the concerns detailed in a letter submitted by SUWA on March 16, 2009. The issues are similar to those presented by Uranium Watch along with an additional concern regarding disclosure of the diverting works listed on the water right application.

ORDER OF THE STATE ENGINEER
Application to Appropriate Water Number
09-2315 (A78359)
Page 2

The Center for Water Advocacy was not represented at the hearing; however, Mr. Harold Shepard had previously submitted a letter of protest on March 17, 2009 detailing the same type of concerns presented by UW and SUWA along with an additional concern regarding climate change and its potential impacts. Mr. Shepard submitted additional written testimony after the hearing, which added more detailed discussion to the concerns heretofore mentioned and also detailed a concern regarding appropriation of water under the general Colorado River Policy.

The proposed well for this water right application was drilled and completed under Non-Production Well Request Number 0999001M00. The well log shows this well was drilled to a depth of 1,660 feet below the ground surface.

The State Engineer has reviewed the application, the information provided in the various submittals prepared in support and in protest of the proposed project, the information contained in the Environmental Assessment (EA No. UT-090-07-43) published by the Bureau of Land Management, the information provided at the hearing, the written testimony submitted after the hearing, financial data available on the public web site for White Canyon Uranium (parent company for UEC), the well log and the water rights of record.

There are two other water rights within or near the proposed mine area described as follows:

Water Right #	Owners	Source	Location	Approved Uses	Period of Use
99-64 (a32562)	Sandy, Gail & Preston Johnson	Well	S 420 ft E 3390 ft from NW cor, Sec. 7, T37S, R16E SLBM	Base Right: Domestic & Mining	1/1 - 12/31
				Change App.: Stockwatering	1/1 - 12/31
99-118	Sandy, Gail & Preston Johnson	Bullseye Spring	S 4270 ft W 1460 ft from NE cor, Sec. 6, T37S, R16E SLBM	Stockwatering	11/1 - 4/30

There are two potential impacts to these water rights from mining operations. First, if the excavated mine workings or 7-foot diameter mine ventilation boreholes intercept water bearing fractures or joints in the bedrock that are interconnected to the aquifer supplying these rights, some of the water supplying the spring and well might enter the mine workings. Second, similarly, if the aquifer supplying water for the new well proposed for use in this application is interconnected with the aquifer supplying water to these rights, the proposed well could impact water in the upper aquifer. Either of these circumstances could result in the diminution of water flows supplying the spring and well.

Information supplied by the applicant in response to the protests and at the hearing show the proposed decline portal for the mine, nearest these two water sources, is approximately 300 - 500 feet lower in elevation than the spring and existing stockwatering well and the newly completed well for the mine operations is approximately 1800 to 2000 feet lower in elevation

ORDER OF THE STATE ENGINEER
Application to Appropriate Water Number
09-2315 (A78359)
Page 3

than the spring and existing stockwatering well. The professionals representing the applicant also indicated that geologic barriers (a sequence of impervious siltstone and mudstone formations) to water flow between the spring and stockwatering well and the applicant's mine workings and new well exist. These barriers should result in no impact due to diversion of water from the new well on the two water rights identified. Also, it should be noted that the amount of water sought to be appropriated is 5.73 acre-feet, which is a sufficiently small quantity to minimize aquifer drawdown.

It is the opinion of the State Engineer that due to the difference in elevation between the mine workings, new well and the existing spring and stockwatering well, and the intervening formations of impervious siltstone and mudstone bedrock layers, it is unlikely that impairment of other rights will result from this appropriation. The State Engineer is also of the opinion that due to the distance between other water rights and the well and the overall size of the aquifer, no other water rights in the general region will be impaired by this appropriation.

The applicant indicated at the hearing that the well for this application is now drilled based on a provisional permit by the State Engineer. Approval to begin mining operations has been received from the various regulatory agencies. The State Engineer is of the opinion that such due diligence in completing the well and beginning mining operation is sufficient evidence that the applicant has the economic and operational capacity to develop the water and put it to beneficial use. A review of financial data from White Canyon Uranium (a public company and parent company for UEC), available on their web site, showed sufficient financial capacity for continued operation into the near future. The long term operation of the mine is driven by market forces. The applicant does still have the remaining burden to show proof of beneficial use of the water within the allotted time given for this application. The Applicant is reminded that both underground uses and surfaces uses of water must be quantified when proof of beneficial use is submitted.

The underground aquifers in this area are relatively untapped and it is the opinion of the State Engineer that there is sufficient water available for appropriation. Issues related to the overall project with regards to water quality, air quality and public health are regulated under other federal and state agencies with more direct oversight of these issues. The "*Decision Record, Finding of No Significant Impact, and Environmental Assessment for the Daneros Mine Project*" published by the U.S. Department of Interior, Bureau of Land Management addresses the health and safety aspects of this project.

According to the EA, the Daneros project area is not recommended in the BLM's Resource Management Plan (RMP) for withdrawal and remains open to mineral entry under the General Mining Law of 1872, as amended. While it is recognized that there are substantial tourism interests in Southeastern Utah, it is also recognized that this area has historically been used for mining. The applicant submitted a response to the protests stating Bullseye Canyon and Fry Canyon have been active uranium mining areas since the early 1950's with Bullseye Canyon specifically being the site for three uranium mines, Lark, Royal & Bullseye. The applicant also states that much of the access now used by tourists was developed by and for the local uranium

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by and for the local uranium mining industry. The EA states that only minor impacts are expected to air quality, vegetation, soils, desert bighorn sheep, visual resources, recreation, and human health and safety during the proposed seven-year mine operation. The EA also found that there are no known threatened or endangered species and associated habitat within or near the proposed project area, and listed species would not be affected by the proposed mine. It is the opinion of the State Engineer that the water use proposed for this project under this application is not contrary to the best public interest, will not significantly impair public recreation or unreasonably affect any natural stream environment.

In regards to the Division of Water Rights' Colorado River Policy, the current policy can be found at <http://www.waterrights.utah.gov/wrinfo/policy/wrareas/colorado.asp>. Waters of the Colorado River are the subject of an interstate compact under which Utah is currently meeting its obligations. Water remains available for appropriation in Utah based on the terms of the compact.

It is the opinion of the State Engineer that the applicant has established a reason to believe that this application meets the criteria of Section 73-3-8 UCA and should be approved.

It is, therefore, **ORDERED** and Application to Appropriate Water Number 09-2315 (A78359) is hereby **APPROVED** subject to prior rights and the following conditions:

- 1) Reasonable efforts should be made to prevent interference with other water rights and to monitor the impacts of diversions of water from the well and mine workings.
- 2) The approval to conduct mining activities on public land must remain valid.
- 3) This application is also approved according to the conditions of the current appropriation policy guidelines for the Colorado River Drainage, adopted March 7, 1990.
- 4) The applicant(s) shall install and maintain measuring and totalizing recording devices to meter all water diverted from all sources pertaining to this application and shall annually report this data to the Division of Water Rights Water Use Program.

The applicant is strongly cautioned that other permits may be required before any development of this application can begin and it is the responsibility of the applicant to determine the applicability of and acquisition of such permits. Once all other permits have been acquired, this is your authority to develop the water under the above referenced application, which under Sections 73-3-10 and 73-3-12, Utah Code Annotated, 1953, as amended, must be diligently prosecuted to completion. The water must be put to beneficial use and proof must be filed on or before **November 30, 2014**, or a request for extension of time must be acceptably filed; otherwise the application will be lapsed. This approval is limited to the rights to divert and

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beneficially use water and does not grant any rights of access to, or use of land or facilities not owned by the applicant.

As noted, this approval is granted subject to prior rights. The applicant shall be liable to mitigate or provide compensation for any impairment of or interference with prior rights as such may be stipulated among parties or decreed by a court of competent jurisdiction.

Proof of beneficial use is evidence to the State Engineer that the water has been placed to its full intended beneficial use. By law, it must be prepared by a registered engineer or land surveyor, who will certify to the location and uses of the extent of your water right.

Upon the submission of proof as required by Section 73-3-16, Utah Code, for this application, the applicant must identify every source of water used under this application and the amount of water used from that source. The proof must also show the capacity of the sources of supply and demonstrate that each source can provide the water claimed to be diverted under this right as well as all other water rights, which may be approved to be diverted from those sources.

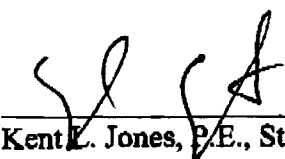
Failure on your part to comply with the requirements of the applicable statutes may result in the lapsing of this Application to Appropriate Water.

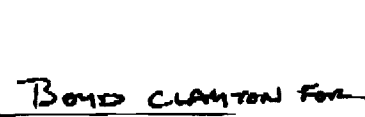
It is the applicant's responsibility to maintain a current address with this office and to update ownership of their water right. Please notify this office immediately of any change of address or for assistance in updating ownership.

Your contact with this office, should you need it, is with the Southeastern Regional Office. The telephone number is 435-613-3750.

This Order is subject to the provisions of Administrative Rule R655-6-17 of the Division of Water Rights and to Sections 63G-4-302, 63G-4-402, and 73-3-14 of the Utah Code, which provide for filing either a Request for Reconsideration with the State Engineer or an appeal with the appropriate District Court. A Request for Reconsideration must be filed with the State Engineer within 20 days of the date of this Order. However, a Request for Reconsideration is not a prerequisite to filing a court appeal. A court appeal must be filed within 30 days after the date of this Order, or if a Request for Reconsideration has been filed, within 30 days after the date the Request for Reconsideration is denied. A Request for Reconsideration is considered denied when no action is taken 20 days after the Request is filed.

Dated this 25 day of November, 2009.


Kent L. Jones, P.E., State Engineer

 Boyd Clayton For

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Mailed a copy of the foregoing Order this 25 day of November, 2009 to:

Utah Energy Corporation
PO Box 1346
Moab, UT 84532

Uranium Watch
c/o Sarah M. Fields
PO Box 344
Moab, UT 84532

Southern Utah Wilderness Alliance
c/o Liz Thomas
PO Box 968
Moab, UT 84532

Center for Water Advocacy
c/o Harold Shepherd
PO Box 331
Moab, UT 84532

Water Use Program
Division of Water Rights

BY: Kelly K. Horne
Kelly K. Horne, Applications/Records Secretary